

Separate Statement of Commissioner Susan Ness

Re: Federal-State Joint Board on Universal Service, CC Docket No. 96-45

Today we complete another major chapter in our effort to preserve and advance universal service, one of the fundamental pillars of the Telecommunications Act of 1996. Section 254 of the Act requires us to ensure that all Americans have access to telecommunications services at affordable and reasonably comparable rates. Congress recognized that we need to pay special attention to the needs of (1) low-income consumers, (2) those living in rural, insular, and high-cost areas, and (3) schools, libraries, and rural health care providers.

We have made steady and significant progress in each of these areas. For low-income consumers, we augmented our Lifeline and Link-Up programs to increase the level of federal support and ensure that support is available to the urban and rural poor in every state. For schools, libraries, and rural health care providers, we have successfully implemented the bold vision in the 1996 Act to deliver the tools of the Information Age through discounts on telecommunications and information services.

And for consumers in high-cost areas, we have taken steps to establish universal service support mechanisms that are explicit and sustainable in a competitive market. We previously reformed the high-cost mechanisms for non-rural carriers, and they are making the transition to a support mechanism based on forward-looking costs. Today, we address high-cost reform for rural carriers by adopting a mechanism that works for rural America.

When the FCC undertook its review of the high-cost universal service mechanism following passage of the 1996 Act, we recognized the unique challenges facing rural carriers and did not adopt one-size-fits-all policies that might have impeded rather than supported the provision of affordable service by rural carriers. Instead, working with rural carriers and their associations, the Joint Board convened a Rural Task Force comprised of experts representing a wide range of companies, consumer advocates, and government officials to examine the cost structures and circumstances of rural carriers.

In October, after intensive research and deliberations, the Rural Task Force unanimously recommended a high-cost mechanism for rural carriers that takes into account not only the significant differences *between* rural and non-rural carriers, but also the vastly different cost structures *among* rural carriers. As is the case with any consensus proposal, the framework may not be exactly what any one entity would want. Nevertheless, the plan represents a solid compromise that balances competing interests. I support this order because it will provide the stability necessary for rural carriers to plan for the future and undertake critical investment to benefit rural consumers.

As we celebrate completion of this phase of high-cost reform, however, we note that much remains to be done.

First, we have not yet completed efforts to identify and make explicit the subsidies embedded in rural carriers' access charges. Reforming high-cost mechanisms without addressing access charges is like clapping with one hand. I urge the Commission to make access charge reform and resolution of the other issues raised by the Multi-Association Group a top priority. For many rural carriers, access charges comprise well over half of their revenue stream. It is not easy for rural carriers to plan for the future and invest in their communities when there is uncertainty about this portion of their revenue base.

Second, even as the Commission works to complete action to reform the federal universal service mechanisms, we must remember that keeping telephone service affordable and accessible is a shared federal and state responsibility. I commend the states that have implemented measures to address rate comparability within their borders and urge other states to undertake such initiatives. State commissions also have a critical role to play in ensuring that subsidies implicit in intrastate rates are made explicit.

Third, we must remain mindful that universal service is an evolving concept that merits our continuing attention. For low-income consumers, we must ensure that those for whom Lifeline and Link-Up are intended know about and have access to these programs. For schools and libraries, we must determine why some communities, including ones in rural and high-poverty areas, are not taking advantage of E-Rate discounts to hook up their classrooms and libraries to the Internet. We should also seek to build on our success with the E-Rate to find ways to leverage for the entire community – especially in remote areas -- the technological resources made available to schools and libraries.

For high-cost areas, our continuing challenge is to ensure that consumers have access to reasonably comparable services at reasonably comparable prices through a high-cost mechanism that is economically rational and competitively neutral. Today, we take an important step by adopting a framework for rural carriers. We must now focus our attention on further steps, including in the near future, a review of the services that are supported by universal service and an examination of ways to facilitate the deployment of advanced services to all Americans in a reasonable and timely manner. As we proceed on these and other measures, I urge the Commission to continue working together with our state colleagues – and with the Joint Board in particular -- to ensure that specific, predictable, and sufficient mechanisms remain in place.

As a final matter, I would like to acknowledge the many people who have demonstrated through hard work their commitment to preserving and advancing universal service for all Americans.

I commend the Rural Task Force for its unwavering efforts for rural consumers. I especially want to thank the chair of the Task Force, Bill Gillis, who worked tirelessly to fashion a consensus.

I would also like to thank the Joint Board and its staff for their dedication to ensuring that all Americans have access to affordable, quality telecommunications services. Together, we have worked hard to forge a federal-state partnership to promote the goals of universal service.

Finally, I would like to thank the Common Carrier Bureau, and in particular, the Accounting Policy Division. Bureau staff members have spent countless hours working through complex issues. They are indeed public servants of the highest caliber.